



STATE OF CALIFORNIA

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

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Annual Report to the California Legislature

on the Extra Credit Teacher Home Purchase Program

September 2000 – December 31, 2001

Submitted to the Legislature on November 1, 2002

I. INTRODUCTION

Section 8869.84(g)(4) of the California Government Code requires the California Debt Limit Allocation Committee to annually report to the Legislature the activities of the Extra Credit Teacher Home Purchase Program (Extra Credit Program).

The Extra Credit Program helps attract and retain qualified teachers and principals who agree to serve in low performing schools. The program targets a scarce public resource to those schools that struggle the most, and to those teachers and principals who are fully qualified to help those schools achieve success.

California Debt Limit Allocation Committee

The California Debt Limit Allocation Committee (CDLAC) was statutorily created by Chapter 943, Statutes of 1987, in response to the 1986 Federal Tax Reform Act to implement Section 1301 of the Federal Tax Reform Act and Section 146 of the Internal Revenue Code. Federal Tax law limits the volume of private activity bonds (volume cap) that a state may issue in a calendar year (annual state ceiling) to an amount that is based on the state's population or an amount that is specified in federal tax law. A state's volume cap is annually adjusted and is sometimes called the state's annual state ceiling. CDLAC is charged with the responsibility to annually set California's volume cap and award tax-exempt private activity bonds in a manner that achieves the highest public benefits.

Section 8869.80 et seq of the California Government Code establishes CDLAC and defines CDLAC's membership. CDLAC is a three-member body comprised of the Governor, the State Treasurer and the State Controller. The State Treasurer serves as the Chair of CDLAC. CDLAC also has 3 non-voting advisory members comprised of the Director of the California Housing Finance Agency, the Director of the California Department of Housing & Community Development, and a Representative of local government.

Private Activity Bonds

CDLAC allocates the annual state ceiling among seven major categories of tax-exempt bond programs (state ceiling pools):

- Qualified Residential Rental Project Program
- Single-Family Housing Mortgage Revenue Bond Program
- Single-Family Housing Mortgage Credit Certificate Program
- Extra Credit Teacher Home Purchase Program
- Exempt Facility Project Program
- Small-Issue Industrial Development Bond Project Program
- Student Loan Program

In accordance with the legislative intent to promote housing for lower income households and preserve and rehabilitate existing governmental assisted housing for lower income households, CDLAC gives priority consideration to housing in general and multifamily rental housing specifically.

The Extra Credit Teacher Home Purchase Program

California faces a need for over 250,000 new teachers over the next 10 years. A growing population, coupled with class size reduction, has fueled this dramatic need. The teacher shortage has contributed to the already acute problem of attracting qualified teachers to low performing schools, which are often located in urban and poor school districts.

In January 2000, CDLAC established a teacher homeownership program that assists California public school districts and county offices of education to recruit and retain teachers in low-performing school districts. The new program provides homeownership opportunities to eligible teachers and principals employed in low-performing schools.

CDLAC staff worked closely with the California Secretary of Education and the California Department of Education, school districts, county offices of education, teacher associations, educational organizations, the California Housing Finance Agency and housing issuers from across the state to formulate the program guidelines. The first allocations to the Program were awarded on September 12, 2000. Program start-up time averaged 4 months and the first loans and MCCs were issued in early 2001.

II. THE EXTRA CREDIT PROGRAM – A PROGRAM OVERVIEW

Program Goals and Objectives

The goal of the program is to assist jurisdictions, school districts and county offices of education in recruiting and retaining teachers, principals, vice principals and assistant principals to teach or provide administration in low performing schools. For purposes of this program and reporting period, a low performing school is a California K-12 public school that is ranked in the bottom 30 percent of all schools based on the most recent Academic Performance Index (API). Under the program, an eligible teacher, principal, vice principal or assistant principal can receive a Mortgage Credit Certificate or a loan funded by a Mortgage Revenue Bond to assist in the purchase of a home.

Program Incentives

Mortgage Credit Certificate

For a family with a \$150,000, 8% interest rate mortgage, the credit would be approximately \$37,000 over the life of the mortgage – with an annual savings of up to \$1,800. The credit would be highest in the early years of the loan, when there is more interest paid by the homeowner.

Mortgage Revenue Bond

For a family with a \$150,000 mortgage loan, the mortgage interest rate would be reduced by approximately 1%, which would result in savings of approximately \$37,000 over the life of the loan.

NOTE: Through each local jurisdiction administering the program, eligible teachers and principals will also be guaranteed at least \$7,500 in local down payment assistance.

Program Guidelines and Parameters

- Family incomes must be 115% or less of the county or statewide median income (whichever is higher) for a family of three or more and 100% or less for a family of one to two persons. Purchase price limits are set at 90% of area average purchase prices for existing and new homes (limits are set at 110% for homes located within IRS target areas). Participants must be first time homebuyers, or not have owned a home for three years prior to the purchase.
- Teachers must be fully credentialed, and employed full-time in a low performing school in the subject and grade level as authorized by his or her credential. Principals, vice principals and assistant principals must be fully credentialed and employed full-time in a low performing school.
- All eligible teachers, principals, vice principals and assistant principals must agree to serve for a minimum of five years in a low performing school.
- For purposes of this report and reporting period, a low performing school is designated as a K-12 public school ranked in the bottom 30% based on the most recent Academic Performance Index (API), i.e. schools that have received an API statewide ranking of a 1, 2 or 3.

- The California Housing Finance Agency, cities, counties, and joint powers authorities are eligible to apply for an allocation of mortgage credit certificates or mortgage revenue bonds from CDLAC to be used to implement the program at the local or statewide levels.

Section 8869.84(g)(4) of the California Government Code requires the California Debt Limit Allocation Committee to annually report to the Legislature the results of the Extra Credit Program, including the following information, all of which is presented in table form in the following pages:

- (1) The amount of state ceiling limits allocated to, or reserved for, the program (Table 1);
- (2) The agencies to which state ceiling limits were issued (Tables 2 and 3);
- (3) The number of loans or mortgage credit certificates issued to teachers, principals, vice principals, and assistant principals (Table 4);
- (4) The schools at which recipients of assistance are employed, aggregated by decile in which the schools rank on the Academic Performance Index (API) and by the percentage of uncredentialed teachers employed at the schools (Table 5).

III. THE EXTRA CREDIT PROGRAM – PROGRAM ACTIVITIES

State Ceiling Allocated for the Program

Since establishing the Program in January 2000, CDLAC has held two allocation rounds for the purpose of awarding allocation for local and statewide programs. The allocations are illustrated in the following table.

TABLE 1

<u>Date Allocated</u>	<u>Amount Allocated</u>
September 12, 2000	\$63,280,554
May 8, 2001	\$95,000,000
TOTAL ALLOCATED	\$158,280,554

Participating Jurisdictions/Allocation

The above allocations were granted during 2000 and 2001 to the following local and state issuers of mortgage revenue bonds and mortgage credit certificates:

California Housing Finance Agency (Statewide)
City & County of San Francisco
City of Los Angeles
City of Oakland
County of Los Angeles
County of Orange
County of Sacramento
County of San Bernardino
County of Santa Clara
County of Santa Cruz

2000 PROGRAM HIGHLIGHTS

In 2000, the Committee reserved \$50 million for the Extra Credit Program, which represents 4 percent of the 2000 State Ceiling on Tax-Exempt Private Activity Bonds. The Committee received a total of 9 applications. The applications received requested \$110 million in allocation. On September 12, 2000, the Committee awarded its first allocations for the Extra Credit Program to 7 local issuers of which 3 administer a Mortgage Credit Certificate (MCC) Programs and 4 administer Mortgage Revenue Bond (MRB) Programs. An additional \$14 million was transferred to the program pool to meet the program's demand. The 2000 allocation is estimated to assist 443 teachers in purchasing a home while providing quality teaching and administrative services to students at low performing schools to improve their academic performance.

TABLE 2

2000 Extra Credit Teacher Home Purchase Program Allocations by Location

Jurisdiction	Program Type	Allocation	% of Total Extra Credit Allocation	Estimated # of Teachers / Principals
County of Sacramento	MCC	\$3,773,472	6%	54
City & County of San Francisco	MCC	\$7,546,941	12%	69
County of Santa Clara	MCC	\$7,546,941	12%	44
City of Los Angeles	MRB	\$15,093,882	23%	81
County of Los Angeles	MRB	\$7,546,941	12%	39
County of Orange	MRB	\$7,546,941	12%	41
County of San Bernardino	MRB	\$15,093,882	23%	115
TOTALS:		\$64,149,000	100%	443

2001 PROGRAM HIGHLIGHTS

In 2001, the Committee reserved \$100 million (5% of the 2001 State Ceiling) in tax-exempt bond allocation for the Extra Credit Program Pool, representing a \$50 million increase over 2000. The Committee allocated a total of \$100 million in tax-exempt bond authority for the Extra Credit Program to six issuers, three of which were new to the Program. Of the applicants who received allocation, five were local issuers and one was a statewide issuer. The Program now has a total of 10 issuers. The 2001 allocations will assist an estimated 563 teachers and principals in purchasing their first homes.

TABLE 3

2001 Extra Credit Teacher Home Purchase Program Allocations by Location

Jurisdiction	Program Type	Allocation	% of Total Extra Credit Allocation	Estimated # of Teachers / Principals
County of Santa Cruz	MCC	\$3,750,000	4%	22
City of Oakland	MCC/MRB	\$11,250,000	11%	56
California Housing Finance Agency	MRB	\$40,000,000	40%	227
City of Los Angeles	MRB	\$15,000,000	15%	91
County of Los Angeles	MRB	\$15,000,000	15%	83
County of Orange	MRB	\$15,000,000	15%	84
TOTALS:		\$100,000,000	100%	563

IV. THE EXTRA CREDIT PROGRAM – PROGRAM RESULTS

Table 4 illustrates the results of the Extra Credit Program by jurisdiction. From September 2000 through December 30, 2001, the Program helped a total of 146 participants. Local jurisdictions and CHFA issued 107 below market interest rate loans and 39 mortgage credit certificates.

TABLE 4

2000 & 2001 Mortgage Revenue Bond Loans and Mortgage Credit Certificates Issued by Jurisdiction			
ISSUER	MRB	MCC	TOTAL
County of Orange	44		44
County of Los Angeles	42		42
California Housing Finance Agency	7		7
City of Los Angeles	0		0
County of San Bernardino	14		14
County of Santa Cruz		2	2
City of Oakland		1	1
County of Sacramento		15	15
County of Santa Clara		21	21
City & County of San Francisco		0	0
TOTALS:	107	39	146

Table 5 lists the schools at which at least one program participant serves. This table also lists the API rankings of those schools and the percentage of all teachers who have emergency teaching credentials. For the purpose of this report, uncredentialed teachers are documented as those teachers holding emergency credentials or permits. Teachers are employed in 90 different schools, 39 (43%) of which have an Academic Performance Index (API) ranking of 1, 25 (28%) of which have an API ranking of 2 and 26 (29%) of which have an API ranking of 3. The percentage of emergency credentialed teachers in these schools ranges as high as 55%. The average percentage of emergency credentialed teachers in participating schools is 17.35%.

TABLE 5

Schools at which Program Participants are Employed		
SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
Orange Avenue Elem., Los Angeles Co.	1	55%
Ralph Bunche Middle, Los Angeles Co.	1	49%
Kingsley Elem., San Bernardino Co.	1	43%
Gaines Elementary, Orange Co.	1	42%
Slonacker Elementary, Santa Clara Co.	1	35%
Locke High, Los Angeles Co.	1	31%
Edison Elementary (CHFA)	1	31%
Santee Elementary, Santa Clara Co.	1	31%
Martin Luther King Elem., Orange Co.	1	30%
Martin Luther King, Los Angeles Co.	1	30%
Drew Middle, Los Angeles Co.	1	29%
Wilson Elementary, Orange Co.	1	28%
Arbuckle Elementary, Santa Clara Co.	1	28%
Glen Martin Elem., Orange Co.	1	27%
Martin Elementary, Orange Co.	1	27%
Baker Elementary, Los Angeles Co.	1	27%
Paramount High, Los Angeles Co.	1	27%
Edison Elementary, Orange Co.	1	25%
Walnut Park Elem., Los Angeles Co.	1	25%
Wilson Elem., San Bernardino Co.	1	23%
Carr Intermediate, Orange Co.	1	23%
Union Elementary, Los Angeles Co.	1	22%
Bell High, Los Angeles Co.	1	22%
Jordan High, Los Angeles Co.	1	22%
McKinley Elementary, Santa Clara Co.	1	22%
Monte Vista Elementary, Orange Co.	1	21%
Washington Intensive, Los Angeles Co.	1	21%
Fleming Middle, Los Angeles Co.	1	20%
Banning High, Los Angeles Co.	1	20%
West Randall Elem, San Bernardino Co.	1	17%
Wiltsey Middle, San Bernardino Co.	1	16%
Valley High School, Orange Co.	1	12%
Lathrop Intermediate, Orange Co.	1	11%
Berlyen Elem., San Bernardino Co.	1	9%
Sixty-Sixth Street Elementary (CHFA)	1	9%

SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
Lowell Elementary (CHFA)	1	9%
Alianza Elementary, Santa Cruz Co.	1	5%
Romona Elem., San Bernardino Co.	1	0%
Gardner Elementary, Santa Clara Co.	1	0%
Teresa Hughes Elem., Los Angeles Co.	2	42%
Wilson high, Los Angeles Co.	2	31%
Colton Middle, San Bernardino Co.	2	26%
Chaffey High, San Bernardino Co.	2	25%
Washington Elem., Orange Co.	2	25%
Madrid Middle, Los Angeles Co.	2	24%
Humphreys Ave. Elem, Los Angeles Co.	2	23%
Hoover Elementary, City of Oakland	2	22%
Park View Elem., Los Angeles Co.	2	21%
Rio Tierra Junior High, Sacramento Co.	2	21%
Rialto High, San Bernardino Co.	2	19%
Rio Vista Elementary, Orange Co.	2	17%
Foster Road Elem., Los Angeles Co.	2	13%
Mt. Vernon Elem., San Bernardino Co.	2	12%
South Jr. High, Orange Co.	2	12%
Parkway Elementary, Sacramento Co.	2	10%
Peter Burnett Middle, Santa Clara Co.	2	9%
Northwood Elem., Sacramento Co.	2	7%
Hagginwood Elem., Sacramento Co.	2	7%
Skylark Elementary, Orange Co.	2	6%
Skylark Elem., Los Angeles Co.	2	6%
Robert M. Pyles, Orange Co.	2	4%
Harmon Johnson Elem, Sac. Co.	2	3%
Martin Luther King Elementary (CHFA)	2	0%
Teresa Hughes Elementary (CHFA)	2	0%
Daisy Gibson Elem., Los Angeles Co.	3	31%
Hillsdale Elementary, Santa Clara Co.	3	31%
Katherine Edwards Middle, Orange Co.	3	29%
Hoover Elementary, Los Angeles Co.	3	26%
Walnut Elementary, Los Angeles Co.	3	26%
Vine Street Elem., Los Angeles Co.	3	24%
Duarte High, Los Angeles Co.	3	24%
Andrew Hill High, Santa Clara Co.	3	19%
Yerba Buena High, Santa Clara Co.	3	14%
Sylvandale Middle, Santa Clara Co.	3	14%
Horace Mann Elem., Santa Clara Co.	3	13%
Jehue Middle, San Bernardino Co.	3	11%
Saddleback High, Orange Co.	3	10%
Whitney Ave Elem., Sacramento Co.	3	10%
Noralto Elementary, Sacramento Co.	3	8%
Truman Middle, San Bernardino Co.	3	8%
Jefferson Elementary, Orange Co.	3	8%
Whitaker Elementary, Orange Co.	3	8%

SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
Magnolia High, Los Angeles Co.	3	7%
Dale Jr. High, Orange Co.	3	6%
Bryant Elementary (CHFA)	3	5%
Dr. Doig Intermediate, Orange Co.	3	3%
Hoover Middle, Santa Clara Co.	3	2%
Vaughn Street Elementary (CHFA)	3	0%
Cory Elementary, Santa Clara Co.	3	0%
San Jose High Acad., Santa Clara Co.	3	0%
TOTALS:	API 1 = 39 (43%)	
	API 2 = 25 (28%)	
	API 3 = 26 (29%)	
	Total Schools = 90	

V. CONCLUSION

The Extra Credit Teacher Home Purchase Program already has begun to make a difference in the lives of California's public school teachers and the quality of public education in the State's lowest performing schools. As of December 31, 2001, CDLAC has earmarked nearly \$160 million of California's scarce tax-exempt, private activity bond allocation for the Extra Credit Program to help over 1,000 qualified teachers and principals who commit to serve in schools ranked in the lowest three deciles based on the Academic Performance Index, where the need for qualified, prepared professionals is greatest.

The Program is well underway. So far, ten local and statewide entities have issued a total of 146 MCCs and MRBs to teachers and principals at 90 low performing schools throughout the State.

Program administrators are well into 2002 Extra Credit Program activity. CDLAC looks forward to reporting this progress in its next report to the Legislature.